CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 19, 1999

S. 1088
Arizona National Forest Improvement Act of 1999

As ordered reported by the Senate Committee on Energy and Natural Resources on June 30, 1999

SUMMARY

S. 1088 would authorize the Secretary of Agriculture to sell or exchange about 858 acres of land and administrative sites in the National Forest System and to acquire other land and administrative facilities through purchase or exchange.

CBO estimates that enacting S. 1088 would result in outlay savings of about $8 million in 2000, but that amount would be offset by costs in subsequent years for a net increase in outlays of $3 million over the 2000-2009 period. Because enacting the bill would affect direct spending, pay-as-you-go procedures would apply. S. 1088 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). The city of Sedona would incur some costs as a result of the bill's enactment, but these costs would be voluntary. The bill would have no significant impact on the budgets of other local governments or on state and tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1088 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and the environment).

	By Fiscal Year, in Millions of Dollars					
	1999	2000	2001	2002	2003	2004
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	-4	1	1	1	1
Estimated Outlays	0	-8	a	2	4	2

a. Less than $500,000.

BASIS OF ESTIMATE

Section 3 of the bill would authorize the Secretary of Agriculture to sell or exchange about 558 acres within several national forests in Arizona that are currently used as administrative sites. The bill would authorize the Secretary to either accept cash equalization payments that exceed 25 percent of the value of the sites or acquire existing or future administrative facilities and improvements in exchange for the sites. Any proceeds from sale or exchange of the sites would be available for the construction or improvement of offices or other administrative buildings for four national forests in Arizona: Coconino, Kaibab, Prescott, and Tonto.

Based on information from the Forest Service, CBO estimates that enacting section 3 would result in additional offsetting receipts from the sale of the federal administrative sites of about $11 million over the 2000-2002 period. Under the bill, the Forest Service could spend such receipts, without further appropriation, to construct or improve other facilities on federal land. Such spending would likely occur over fiscal years 2000 through 2005.

Section 4 would authorize the Secretary to sell about 300 acres of property to the city of Sedona, Arizona, to build a sewage disposal system. CBO estimates that this sale would result in additional offsetting receipts of about $6 million. Because the city has a permit to use about 250 acres of this land under current law, selling the land to the city would also result in forgone permit fees totaling less than $250,000 each year. Proceeds from the sale would be available to the Secretary to acquire land elsewhere in the state of Arizona. CBO estimates that these sums would be spent over the 2000-2007 period.

Section 4 would authorize the city to pay the Secretary in either a lump sum amount or seven equal annual installments, including interest. Allowing the city to pay for the land to be conveyed under section 4 in installments would constitute a loan, and this authority would therefore be subject to the provisions of the Federal Credit Reform Act of 1990. Under those provisions, the costs of loans are recorded in the budget on a net present value or "subsidy" basis. We estimate that the loan stemming from section 4 would have a subsidy cost of less than $1 million, reflecting both the risk of a default by the city and the cost to the government of providing payment terms based on an interest rate that is lower than the government's cost of money for the loan period. Specifically, the bill states that interest should be charged at the rate for a one-year Treasury security, while the loan period would extend for seven years. (Generally, longer-term Treasury securities have higher interest rates than short-term securities such as the one-year rate.) Subsidy costs are recorded in the years in which loans are made. Under S. 1088, CBO assumes that the property would be transferred to the city of Sedona in 2000 with installment payments due to the federal government over the 2000-2006 period. Thus, both the estimated proceeds of about $6 million and the small subsidy cost of less than $1 million would be recorded in 2000.

Because the Forest Service would likely spend the proceeds of the land to be sold under section 4 as the city pays the installments, we estimate that over the long term the net effect on direct spending from enacting section 4 would be only the subsidy cost of the loan and the forgone permit fees.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. Under the Balanced Budget Act of 1997, proceeds from nonroutine asset sales may be counted for purposes of pay-as-you-go scorekeeping only if such sales would entail no net financial cost to the government. The property sales authorized by this bill would not entail a net financial cost; therefore, the proceeds would be counted for pay-as-you-go purposes.

The net changes in direct spending are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	0	-8	0	2	4	2	1	1	1	0	0
Changes in receipts	Not applicable										

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1088 contains no intergovernmental mandates as defined in UMRA. Enactment of this bill would give the city of Sedona the opportunity to purchase land that it currently leases from the Forest Service. This purchase would be voluntary on the part of the city as would any amounts paid for the appraisal required by the bill. Purchasing the land would allow the city to avoid annual permit fees of about $250,000. The bill would have no significant impact on the budgets of other local governments or on state or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

This bill contains no new private-sector mandates as defined in UMRA.

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